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Decision 01-06-009 June 7, 2001

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking into the operation of interruptible load programs offered by Pacific Gas & Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company and the effect of these programs on energy prices, other demand responsiveness programs, and the reliability of the electric system.	Rulemaking 00-10-002 (Filed October 5, 2000)

INTERIM OPINION ON ROLLING BLACKOUT REDUCTION PROGRAM

1. Summary

This decision authorizes the Rolling Blackout Reduction Program requested by San Diego Gas & Electric Company, with modifications.

2. Background

On May 3, 2001, San Diego Gas & Electric Company (SDG&E) filed and served an emergency petition for modification of Decision (D.) 01-04-006. SDG&E seeks authorization to implement a Rolling Blackout Reduction Program (RBRP) through proposed tariff Schedule RBRP. According to SDG&E, the RBRP will permit SDG&E to deploy customer-owned emergency backup generators (BUGs) during a Stage 3 event declared by the California Independent System Operator (CAISO). SDG&E says this will bring additional generation on-line, and reduce the need for rolling blackouts.

On May 17, 2001, comments were submitted by Premier Utility (PU) Consultants Inc. PU Consultants recommends denial of the petition, but generally seeks Commission

endorsement of a CAISO program designed to operate BUGs.[1] Also on May 17, 2001, a letter was submitted by the Metropolitan Wastewater Department of the City of San Diego stating support for the program.

On May 18, 2001, responses were filed and served by Pacific Gas & Electric Company (PG&E), the CAISO, and the University of California and California State University (UC/CSU). PG&E opposes the petition. CAISO states it generally does not oppose the use of BUGs, but expresses concern with SDG&E's proposal. UC/CSU generally support the proposal. Finally, letters dated May 18, 2001 were received from the Air Pollution Control District (APCD) of San Diego County, and the California Air Resources Board (ARB). The San Diego APCD expresses conditional support, while the ARB recommends denial of the petition.

On May 21, 2001, SDG&E filed and served reply comments in further support of the RBRP.[2] SDG&E asks that the Commission balance concerns with the proposed program against the potential of serious public harm if rolling blackouts become a reality.

3. Description of RBRP

In brief, proposed Schedule RBRP includes a capacity payment of $7 per kilowatt (kW) per month, an energy payment of $0.35 per kilowatt-hour (kWh), and an interconnection allowance for new BUGs of $10/kW.[3] Customers whose load reductions are 15% or greater on the customer's circuit compared to the previous year's usage receive a circuit exemption from rotating outage (similar to the circuit exemption for

[1] PU Consultants Inc. is an information only participant in this proceeding. As SDG&E points out, however, the CAISO program endorsed by PU Consultants does not exist, and has no prospect of coming onto existence in the near future. (SDG&E Reply Comments, pages 20-21.)

[2] An errata was filed and served on May 22, 2001.

[3] SDG&E proposes the capacity payment for six months, from May 15 through November 15, 2001, and the one-time interconnection allowance for customers who install new BUGs between May 15 and August 1, 2001.

Optional Binding Mandatory Curtailment (OBMC) program participants). A tiered penalty structure applies increasing penalties for subsequent failures to perform. For these incentives and penalties, the BUG must operate until the CAISO no longer requires a firm load reduction, and all firm load is back in service. Finally, the proposed tariff imposes no limits on how often SDG&E may call upon a customer to run its BUG.

4. Discussion

We are persuaded to adopt SDG&E's proposal, but with modifications designed to ensure that the program is reasonably priced, as well as not conferring an undue advantage upon one group of customers over another. As SDG&E says, this is an opportunity to capitalize on available resources to reduce the impact of rolling blackouts that may occur this summer.

SDG&E estimates that the CAISO will most likely require 1,000 megawatts (MWs) of reductions statewide during Stage 3 firm load reduction events in Summer 2001. SDG&E says its share of the 1,000 MW is 7.4%, or 74 MW. SDG&E expects approximately 75 to 100 MW might be made available through the RBRP, with about 50 MW from existing sources, and 50 MW from new sources. Therefore, SDG&E believes the RBRP can be reasonably expected to reduce the number and duration of rotating outages in San Diego. Whether or not these exact megawatts materialize, we agree that an opportunity is presented here that merits adoption.

We agree with SDG&E's proposal that the program run for one year. We will assess its use for Summer 2002 after we have experience during Summer 2001.

SDG&E proposes that the program be implemented only in the SDG&E service territory at this time. While we approve SDG&E's program based upon the record before us, we understand that the State of California may also be considering various backup generation proposals of its own. Should such proposal be implemented, and be applicable to utilities other than SDG&E, this proceeding will serve as the forum for implementation issues that the Commission may need to address.

We also adopt SDG&E's proposal that participating customers must have an emergency BUG capable of providing at least 15% of the customer's annual maximum demand, but not less than 100 kW. This will focus the program on customers with the most ability to reduce demand on the system, without draining administrative resources on small potential reductions. Moreover, it is consistent with standards already adopted in the Base Interruptible Program (BIP) and the Voluntary Demand Response Program (VDRP).

SDG&E proposes that it notify participating customers to reduce demand through the use of the customer's BUG when SDG&E "receives notification from the ISO that a Stage 3 event and rolling outages have been declared." (Emergency Petition for Modification, page 4.) We concur, and clarify that our approval is based on the CAISO actually ordering the implementation of firm load reductions on the SDG&E system. That is, there may be time between the CAISO first calling a Stage 3 event, and the CAISO later calling for actual firm load reductions. It is the latter event which will trigger the RBRP, and which we endorse, as reflected in proposed Schedule RBRP.[4]

Further, a BUG may need some reasonable amount of time to ramp-up its operation, or to continue operation without jeopardizing critical functions, and thereby improve participation. The San Diego APCD defines an emergency as an unforeseen failure by the serving utility to provide power to the customer. The APCD considers such failure to exist when the statewide electrical reserves fall to 3% or less and the CAISO has officially forecast the clock time (e.g., 4:45 p.m.) when statewide electrical reserves will fall to 2% or less (i.e., a Stage 3 electrical emergency is imminent). The APCD considers the emergency to begin at this CAISO forecast clock time, and states that BUGs may startup at this clock time, and run until no more than 30 minutes after the ISO

[4] SDG&E's proposed Schedule RBRP states it is applicable "to customers who have in service a Backup Emergency Generator…that customer will operate when requested by the utility at times when firm load reductions are required by the California Independent System Operator (CAISO)." (Schedule RBRP, Sheet 1 of 8, "Applicability.")

advises that the Stage 3 is no longer imminent or in effect. We agree to the extent that Schedule RBRP should permit BUG operation from the CAISO forecast clock time for firm load curtailments through 30 minutes after the CAISO advises that firm load curtailments are no longer necessary.

SDG&E conditions Schedule RBRP on the customer being responsible for operating its BUG in compliance with all federal, state and local laws and regulations, including those regarding air quality. Again, we agree.

The proposal raises several concerns, however, including prices, disincentives relative to other programs, air pollution and the attendant health effects, and measurement of firm load reductions. As a result, we adopt the program, but with the following limited modifications, conditions, and clarifications.

4.1 Capacity Payment and Interconnection Allowance

We decline to adopt either the proposed capacity payment, or the interconnection allowance, for several reasons.

First, as PG&E points out, the RBRP provides incentives that exceed the levels available in other programs for largely the same level of load relief. That is, SDG&E proposes to compensate RBRP customers as if they are simultaneously participating in both the BIP (at $7/kW/month) and the VDRP (at $0.35/kWh). This provides generous compensation for last-minute load reductions when those reductions are sought earlier in other programs. This is not the optimal incentive to give customers.

We do not want the compensation available in the RBRP to be so attractive that customers elect the RBRP over other programs that are more cost-effective for ratepayers, and, by declining other programs in favor of RBRP, actually precipitate Stage 3 events. Rather, we seek customer participation in necessary load relief and interruptible programs early, with continued participation in those programs through Stage 3. For example, BIP and VDRP programs that begin in Stage 2 do not stop during

Stage 3. We do not want to authorize a program that creates unreasonable conflicts between programs.

SDG&E argues that the RBRP cannot actually precipitate Stage 3 events because APCD regulations do not allow customers with BUGs to run prior to Stage 3. We are not persuaded. The conflict between programs is not limited solely to Stage 3. That is, if RBRP prices are relatively high (potentially including a capacity payment), a customer might elect to wait for RBRP events, and decline to participate in other programs.

Second, the total costs are high. Using SDG&E's assumptions, the average payments are $0.56/kWh to existing BUGS, and $0.61/kWh to new BUGs.[5] The total cost to ratepayers is $0.735/kWh, including costs incurred by SDG&E for metering, monitoring, administration and marketing.[6] Ratepayers' pockets are not bottomless. Further, the participating customer avoids energy costs that it would otherwise incur were it not to reduce load under the program.

In support of RBRP price levels, SDG&E argues that customer interest in existing programs has been underwhelming. SDG&E asserts that the RBRP would not be necessary if customers were interested in other programs. SDG&E says it has designed the RBRP with incentives to generate sufficient customer interest.

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[5] Existing BUGS: capacity payments of $2.1 million ($7/kW/month times 6 months times 50 MW) plus energy payments of $3.5 million ($0.35/kWh times 200 hours times 50 MW) divided by 100,000 kWh (200 hours times 50 MW) equals $0.56/kWh.

New BUGs: capacity payments of $2.1 million plus energy payments of $3.5 million (i.e., same assumptions as for existing BUGs) plus interconnection allowance of $0.5 million ($10/kW times 50 MW) divided by 100,000 kWh (200 hours times 50 MW) equals $0.61/kWh. (Source: Emergency Petition for Modification, page 7.)

[6] Total program cost of $14.7 million divided by 200,000 kWh (200 hours times 100 MW) equals $0.735/kWh. (Source: Emergency Petition for Modification, page 7.)

We are not convinced. SDG&E overlooks that, for the other interruptible programs authorized by the Commission, most customers may not provide load reductions to the grid through the use of their backup generation. Except for those customers with permitted equipment, backup generation can only be run when that individual customer is subject to a rotating outage, not when the system as a whole is declaring rotating outages. As the San Diego APCD notes, most backup generation can only be run during an "emergency" defined as when ISO reserves fall below 3%.[7] Therefore, most backup generation (unless specifically permitted) would be unable to be used as part of other Commission interruptible programs which are triggered when operating reserves are in the 5-7% range (Stage I and II.)

Additionally, tariffs for SDG&E's other programs have been approved only recently, with additional time having been required to bring those tariffs into compliance with D.01-04-006. Customer interest in existing programs can be measured only after reasonable marketing by SDG&E, and a reasonable opportunity for customers to enroll in those programs. We are not convinced that there is a lack of interest in existing programs until there has been both adequate marketing and a reasonable opportunity for enrollment.

Third, the capacity payment necessitates a penalty structure that is needlessly complex. The proposed penalty requires the customer to forfeit increasing amounts of the $7/kW/month capacity payment for one or more failures to comply, and further, in some cases, obligates the customer to pay penalties. Enough failures eventually result in termination from the program. SDG&E is right that customers with BUGs are sophisticated energy consumers, and will not have difficulty with a complex penalty structure. Nonetheless, there is no need to make the program complex. The entire

[7] See San Diego APCD Compliance Advisory filed by SDG&E as Attachment A to their petition.

program can be designed more simply, as described below, without capacity payments and a complex penalty structure.

Fourth, paying for capacity would require notification procedures that complicate an already complex system. The program is a demand reduction program, not a program for providing generation capacity to the grid.

Finally, we decline to use the RBRP to pay fixed costs. A capacity payment to an existing BUG compensates the BUG's owner for the fixed cost of the investment. The fixed cost of an existing BUG has already been incurred by the owner, however, and the BUG is in place. Rather, we seek to compensate the owner for the incremental cost of running the BUG, and authorize an energy payment for that purpose.

Further, a capacity payment to a new BUG provides compensation for putting in new investment. Similarly, the interconnection allowance provides an incentive to install a new BUG. In both instances, ratepayers help the BUG owner with the cost of installation. We decline to use this program to facilitate installation of new BUGs. Customers already have adequate incentive to install, own and operate BUGs for many reasons, including the customer's own need or desire for reliability. Moreover, we have existing programs to provide incentives for the installation of distributed generation. We are not convinced that we should disturb existing incentives and programs with yet another program absent more information and further consideration.

Agencies throughout the State have been working diligently to keep existing generating units on-line, and quickly approving permits for new, clean, efficient power plants. The use of existing BUGs may fill an urgent need for Summer 2001, and an energy payment will provide reasonable incentive for their operation. The State is better served overall, however, by new, clean, efficient power plants built to serve ratepayers at reasonable prices based on the cost of service. Our efforts should be directed to that end.

For all these reasons, we decline to authorize either the $7/kW/month capacity payment, or the $10/kW interconnection allowance.

4.2 Energy Payments

We adopt an energy payment to provide the necessary incentive for BUG operation during periods of firm load curtailment. We decline, however, to adopt SDG&E's proposed rate of $0.35/kWh.

BUG operators will avoid high on-peak rates by BUG operation, and need little additional incentive. As already noted, customers have either already incurred the fixed costs of their BUG, or have chosen for their own economic reasons to acquire new BUGS.

Also, we primarily want customers to participate in existing programs, including BIP, VDRP and OBMC. The RBRP is a last resort, and the incentives should direct customers to existing programs first. VDRP, for example, should be initiated in Stage 2. A Stage 2 program that avoids California even reaching a Stage 3 event is of great importance to every ratepayer and citizen in California, and has great value. Further, ratepayers must not be burdened with excessively high prices. We must carefully balance all the costs and benefits of this and other programs, and must be mindful of the eventual cost to ratepayers.

The payment level we adopt also needs to take into account the difference between this program and other interruptible programs. Most customers participating in our existing interruptible programs must either reduce output or shift production to off-peak periods in order to reduce their electric load. Therefore, in many cases these customers must factor in the costs of reduced production in their decision to participate in an interruptible program. Under SDG&E's BUG program, by contrast, customers are using their BUGs to displace energy that they otherwise would be taking from the electric grid. Accordingly, these customers do not suffer the financial consequences of lost production revenue that they would incur by participating in other interruptible programs.

We must also take into account the interaction of this program with other incentives adopted by the Commission to reduce load. Load reductions achieved in this

program, as with other interruptible programs, count towards a customer's qualification towards meeting his or her "20/20" goal of reducing load by 20%.

Further, participation in the RBRP will provide benefits to the customer, which we take into account in determining the necessary energy rate. RPRP participants will receive notice of an outage, and be given an opportunity for an orderly startup of their BUG. Also, the customer avoids the outage, with its attendant personal and economic consequences and costs.

We conclude that a significantly lower payment is appropriate for this program. As a result, we adopt a rate of $0.20/kWh. To provide for rapid adjustment of the price, if needed, we adopt the same mechanism as used to adjust VDRP prices. (D.01-04-006, mimeo., pages 30-33.)

4.3 Rotating Outage Exemption

In addition to financial benefits, SDG&E proposes that RBRP customers receive exemption from rotating outages if load reductions are 15% or greater on the customer's circuit compared to the previous year's usage. This is similar to the exemption provided customers in the OBMC program. OBMC participants, however, receive only an exemption from outages.

We modified the OBMC program in April 2001 based on comments in Phase I. We reduced the required maximum curtailment for OBMC participation from 20% to 15%. (D.01-04-006, mimeo. page 38.) In doing so, we considered the increased benefit to potential new OBMC participants (i.e., exemption from outages for those who could participate at 15% but not at 20%), and the potential for increased OBMC participation with concurrent benefit to the entire system and State. We balanced this against the potential of reduced benefit to the public and the State by lowering the required curtailment percentage.

We are not persuaded to further modify that balance by granting an exemption to RBRP participants. We think this unreasonably conflicts with the adopted OBMC program, and sends the wrong signals to potential OBMC participants. As a

result, we decline to authorize exemption from rotating outages as a provision of Schedule RBRP.

4.4 Environmental Dispatch

We are also concerned with environmental consequences. Firm load curtailments are probable on the hottest days, when air conditioning load is highest. Hot days tend to have poor air quality. This program will result in an incremental increase in BUG operation. The benefits of avoiding outages must be balanced against the harm from increased air pollution.

In its reply, SDG&E states that it will commit to employ environmental dispatch of BUGs, to the extent feasible. SDG&E's plan is to segregate the units into blocks, and dispatch the blocks with the cleanest burning engines first. According to the San Diego APCD, this means engines fired by natural gas, liquid petroleum gas (LPG) or gasoline before those fired by diesel fuel.

We adopt SDG&E's commitment. We condition approval of Schedule RBRP on environmental dispatch, wherein SDG&E will call upon the cleanest BUGs first.

4.5 Interaction with Other Programs

We have eliminated most potential conflicts with other programs in the modifications adopted above. As a result, RBRP customers may simultaneously enroll in any other program offered by SDG&E, including BIP, VDRP, and OBMC (absent any restrictions stated in the other program).

To further ensure programs do not conflict, however, we also require that any payments under the RBRP be only for generation that is not on line when the RBRP is called. That is, a customer may not use its BUG to perform under the VDRP, and be paid a second time under the RBRP. If, however, the customer is performing under the VDRP without use of its BUG, and elects to operate its BUG during an RBRP event, the customer is eligible for payment under the RBRP for operation of its BUG.

4.6 Measurement

SDG&E proposes that the amount of BUG generation brought on line be used to offset the amount specified by the CAISO for SDG&E's share of total Stage 3 firm load curtailment. The CAISO expresses concern.

The CAISO says in principle it is accurate that generation on the customer's side of the meter can help relieve demand on the grid. The CAISO, however, does not endorse counting the energy produced by BUGs located in the SDG&E area towards SDG&E's share of firm load curtailment required by the CAISO. According to the CAISO, BUGs may be in operation prior to the CAISO's declaration of Stage 3. In cases where the BUG is operational before Stage 3, its contribution would become part of the system resources prior to implementation of firm load curtailment. According to the CAISO, SDG&E seeks to count on capacity that could have been made available to avoid or reduce firm load curtailments in the first place. CAISO concludes that for this reason it does not support SDG&E's program as proposed. Further, to the extent other utilities seek similar treatment, the CAISO says its ability to maintain system reliability would be undermined. We disagree.

The San Diego APCD policy prohibits customers from operating BUGs before Stage 3 unless they are doing so to avoid their own facility's curtailment. Thus, a customer's BUG will come on prior to Stage 3 only if its circuit is in the next block at risk of an outage. SDG&E's experience with rolling outages to date is that less than 5% of BUGs would likely be operational prior to Stage 3. Moreover, some BUGs will be on exempt circuits, further reducing the actual operational number. Thus, as SDG&E points out in its reply comments, the CAISO's concern that any significant number of BUGs will be running prior to Stage 3 is not compelling.

Further, the CAISO's concern does not recognize that a generator running before a Stage 3 event will stop running, even during Stage 3, once the customer's circuit has passed through its allotted one hour blackout. Additionally, the customer will not run its generator at all if the customer believes a blackout is unlikely, even during a Stage 2

or 3, absent compensation. Thus, there is very little or no overlap between BUGs used to meet the customer's own emergency needs and those that will be used in the RBRP to maintain system reliability.

As SDG&E points out, statewide concerns, even if meritorious, need not be determinative since this program is only in the SDG&E area at this time. More importantly, however, the program will enhance, not undermine, system reliability. Any additional generation used to either reduce a customer's demand, or make a contribution to the grid, can only assist with overall system reliability.

The CAISO recommends an additional condition on authorization of the RBRP. The CAISO proposes that participating customers with BUGs be required to disconnect their load from the controlled grid when the BUG is in operation, citing risk to system reliability from parallel operation between the BUG and the controlled grid. We decline to adopt this condition. We accept SDG&E's representation that most BUGs are already operated independently of the grid. Those operated on the grid must already comply with system safeguards for safe and reliable parallel operation. Further, this program will not be used for the purpose of selling excess power to the grid.

As a result, we adopt SDG&E's proposed measurement of BUG operation used during the RBRP.

PG&E expresses concern that applying this measurement of BUG operation only in SDG&E's service area is unfair to other utilities and their ratepayers. To the extent this concern deserves further consideration, we invite other respondent utilities and parties to comment on expansion of this program statewide. Comments may be filed and served at any time. Given that conditions vary between service areas, any proponent of statewide expansion must reasonably describe program operation and characteristics in the service area in which the program is recommended.

4.7 Cost Recovery

SDG&E asks for current recovery of RBRP costs (e.g., a rate surcharge). Alternatively, SDG&E seeks permission to track program costs in the memorandum account authorized in D.01-04-006.

We continue to decline current recovery for these costs, just as we did in D.01-04-006. Rather, we authorize accounting of RBRP costs in the memorandum account established by D.01-04-006.[8] The accounting must separately identify costs attributable to the RBRP. The limits adopted in D.01-04-006 continue to apply (e.g., $25 million per year for SDG&E), subject to SDG&E applying for modification of those limits, as described in D.01-04-006.

5. Need for Expedited Consideration

Rule 77.7(f)(9) of the Commission's Rules of Practice and Procedure provides in relevant part that:

> "…the Commission may reduce or waive the period for public review and comment under this rule…for a decision where the Commission determines, on the motion of a party or on its own motion, that public necessity requires reduction or waiver of the 30-day period for public review and comment. For purposes of this subsection, "public necessity" refers to circumstances in which the public interest in the Commission adopting a decision before expiration of the 30-day review and comment period clearly outweighs the public interest in having the full 30-day period for review and comment. "Public necessity" includes, without limitation, circumstances where failure to adopt a decision before expiration of the 30-day review and comment period…would cause significant harm to public health or welfare. When acting pursuant to this subsection, the Commission will provide such reduced period for public review and comment as is consistent with the public necessity requiring reduction or waiver."

[8] Alternatively, the treatment will be as directed in Item 14 on the June 7, 2001 agenda, if Item 14 is adopted.

SDG&E asks that the Commission act on its petition as an emergency. (Emergency Petition for Modification, page 1, footnote 1.)

We balance the public interest in quickly amending D.01-04-006 to adopt the RBRP against the public interest in having a full 30-day comment cycle on the proposed amendment. We conclude that the former outweighs the latter. We agree with SDG&E that this program, as modified, has merit, and time is short before Summer 2001 begins. Delay in adopting the RBRP jeopardizes public health and safety by increasing exposure to rolling blackouts. We seek valuable public review and comment of our proposed change, and find that a reduced period balances the need for that input with the need for timely action before Summer 2001.

6. Comments on Draft Decision

On June 1, 2001, the draft decision of Presiding Officer and Assigned Commissioner Wood on this matter was mailed to parties in accordance with Section 311(g) of the Public Utilities Code and Rule 77.7 of the Rules of Practice and Procedure. Comments were filed on June 5, 2001, and reply comments were filed on June 6, 2001.

Findings of Fact

1. SDG&E's proposed RBRP is an opportunity to capitalize on available resources to reduce the impact of rolling blackouts that may occur in Summer 2001.

2. SDG&E's proposed RBRP incentive levels exceed levels available in other programs for largely the same level of load relief.

3. Using SDG&E's assumptions, proposed Schedule RBRP payments are $0.56/kWh to existing BUGS, and $0.61/kWh to new BUGS, while the cost to SDG&E is $0.735/kWh.

4. Tariffs for other SDG&E interruptible programs have been approved only recently.

5. Customer interest and participation in existing interruptible programs is affected by marketing of those programs, and a reasonable opportunity for enrollment.

6. Capacity payments necessitate a penalty structure for noncompliance.

7. SDG&E's proposed penalty structure involves increasing penalties for additional failures to perform, making it complex compared to an energy payment based only on performance.

8. Reliance on BUGs for capacity requires notification of availability of the BUG.

9. Capacity payments compensate BUG owners for the fixed costs of existing, or new, investment.

10. An interconnection allowance provides an incentive to install new BUGs.

11. Existing programs address incentives for distributed generation.

12. An energy payment will provide the necessary incentive for BUG operation during periods of firm load curtailment.

13. Most customers participating in the RBRP have already incurred the fixed costs of their BUG, are able to participate without reducing production, improve their eligibility to achieve compensation under the 20/20 energy savings program, and avoid the high on-peak energy charges they otherwise would incur.

14. Exempting RBRP participants from curtailment if their load reductions are 15% or more conflicts with the same provision in the OBMC program.

15. SDG&E will commit to environmental dispatch of BUGs, to the extent feasible.

16. A customer using a BUG to perform under the VDRP during a firm load curtailment would be paid twice for the same performance if also paid to operate the BUG in the RBRP.

17. Less than 5% of BUGs are likely to be operational prior to Stage 3 in SDG&E's service area.

18. There is little or no overlap between BUGs used to meet the customer's own emergency needs and those that will be used in the RBRP to maintain system reliability.

19. The RBRP will enhance, not detract from, system reliability.

20. The public interest in quickly amending D.01-04-006 to adopt Schedule RBRP, as modified, before Summer 2001 outweighs the public interest in a full 30-day public review and comment of the proposed amendment.

Conclusions of Law

1. SDG&E's emergency petition for modification of D.01-04-006 should be granted in part, and denied in all other respects.

2. Schedule RBRP should be effective for one year, and its continuation should be assessed based on experience during Summer 2001.

3. Schedule RBRP should be effective only in the SDG&E service territory.

4. Schedule RBRP should be triggered only upon implementation of firm load reductions by the CAISO.

5. Schedule RBRP should permit BUG operation from the CAISO forecast clock time for firm load curtailments through 30 minutes after the CAISO advises that firm load curtailments are no longer necessary.

6. Schedule RBRP should include an energy payment $0.20/kWh, subject to modification consistent with VDRP price modifications, but should not include a capacity payment, an interconnection allowance, or a penalty structure.

7. Schedule RBRP should not provide for circuit exemption from rotating outages similar to OBMC circuit exemptions.

8. SDG&E should implement an environmental dispatch of BUGs in its application of Schedule RBRP, to the extent feasible, with BUG engines fired by natural gas, LPG or gasoline dispatched before those fired by diesel fuel.

9. Payments under Schedule RBRP should be only for generation that is not on line when the RBRP is called.

10. BUG operation under Schedule RBRP should offset the amount of firm load curtailment required of SDG&E by the CAISO during Stage 3 events.

11. SDG&E should track RBRP costs through the memorandum account authorized in D.01-04-006.

12. The period for public review and comment on the draft decision should be reduced, pursuant to Rule 77.7(f)(9).

13. This order should be effective today so that Schedule RBRP can be implemented without delay, and potential threat to public health and safety can be mitigated by operation of BUGs under Schedule RBRP.

INTERIM ORDER

IT IS ORDERED that:

1. The May 3, 2001 emergency petition for modification of Decision (D.) 01-04-006 filed by San Diego Gas & Electric Company (SDG&E) is granted to the extent provided herein, and denied in all other respects.

2. Within five days of the date of this order, SDG&E shall file and serve an advice letter with accompanying tariff Schedule RBRP. The advice letter and tariff shall implement SDG&E proposed Schedule RBRP with modifications, conditions and clarifications stated in the text, findings of fact, and conclusions of law in this order. The advice letter and tariff shall be in compliance with General Order 96-A. The advice letter and tariff shall become effective five days after filing, unless suspended by the Energy Division Director. The Energy Division

Director may require SDG&E to amend its advice letter and tariff to comply with the orders herein.

This order is effective today.

Dated June 7, 2001, at San Francisco, California.

LORETTA M. LYNCH
President
HENRY M. DUQUE
RICHARD A. BILAS
CARL W. WOOD
GEOFFREY F. BROWN
Commissioners